



GEORGIA DEPARTMENT OF AUDITS AND ACCOUNTS

Fiscal Year 2015 Update
November 4 & 5, 2015



Doug Pirkle, Jr., CPA, CFE, CGFM
Manager II



Main Points to Cover

1. ***DOAA Management Team***
2. ***Audit Timeliness***
3. ***DOAA Award of Distinction for Excellent Financial Reporting***
4. ***MD&As***
5. ***Pension Testing and Why***
6. ***RSI Schedules for Pensions***
7. ***GASB Update***
8. ***Uniform Guidance (Auditor's Perspective)***
9. ***Common Audit Issues***
10. ***Transparency in Government Act***
Proposed Reporting Changes - PCard Data
11. ***Keys to a Successful Audit***

DOAA Management Team

Reggie Beasley, Deputy Director

beasleyr@audits.ga.gov

912-486-7275

Tracy Branch, Audit Manager II

branchtb@audits.ga.gov

706-651-7416

Sara Rohrbach, Audit Manager II

rohrbach@audits.ga.gov

912-389-4089

Tommy Harp, Deputy Director

harpth@audits.ga.gov

404-657-7023

Katherine Penton, Audit Manager II

penton@audits.ga.gov

404-651-8779

Jennifer Thomas, Audit Manager II

thomasjb@audits.ga.gov

770-459-6578

Kenneth Knight, Deputy Director

knightk@audits.ga.gov

229-759-3006

Doug Pirkle, Audit Manager II

pirklewd@audits.ga.gov

404-651-8827

DOAA Management Team

Reggie Beasley – Deputy Director

Athens Office

Darlene McConnell, Audit Manager I

Mcconnel@audits.ga.gov

706-227-7283

Augusta Office

Kelly Worth, Audit Manager I

worthkm@audits.ga.gov

706-651-7416

Statesboro Office

Caroline James, Audit Manager I

jamesc@audits.ga.gov

912-486-7275

DOAA Management Team

Tommy Harp – Deputy Director

Atlanta Office

Heather Roehl, Audit Manager I

roehl@audits.ga.gov

Connie Wilkes, Audit Manager I

wilkescl@audits.ga.gov

Calhoun Office

Genevieve Silvia, Audit Manager I

Silvia@audits.ga.gov

706-624-1327

Villa Rica Office

Anna Durham, Audit Manager I

durham@audits.ga.gov

770-459-6578

DOAA Management Team

Kenneth Knight – Deputy Director

Douglas Office

Sara Rohrbach, Audit Manager II

rohrbach@audits.ga.gov

912-389-4086

Leesburg Office

Morgan Carpenter, Audit Manager I

carpenter@audits.ga.gov

229-759-3006

Macon Office

Michele Moulton, Audit Manager I

moulton@audits.ga.gov

478-471-2084

Audit Timeliness

1. Goal – Report Released Closer to Exit Conference
2. More Resources Allocated to LEAs
 - Operations – Tracy Branch, Manager II
 - Review Process
 - Doug Pirkle, Manager II
 - New Position, Senior Level Reviewer
3. Consistent Review Process



DOAA Award of Distinction for Excellent Financial Reporting

Professional People with Purpose

DOAA Award of Distinction for Excellent Financial Reporting

The Best Practice Criteria has been established to recognize better practices for financial reporting and controls. This Award of Distinction encourages Colleges, Universities and Local Boards of Educations to go beyond the minimum requirements of generally accepted accounting principles and recognize individual organizations that are successful in achieving that goal.

DOAA Award of Distinction for Excellent Financial Reporting

Criteria	Description of Best Practices
Timeliness	<p>Financial Statements including MD&A, note disclosures, required supplementary information and supplementary schedules and all key supporting evidence were available for auditors by November 15.</p> <p>Compliance with Transparency in Government Act Accurate information submitted by the following established deadlines: Salary and Travel Information: August 15 and Audit History/Payments Files: October 15.</p>
Quality of Financial Statements, Note Disclosures, Required Supplementary Information and Supplementary Information	<p>First set of financial statements, MD&A, notes, required supplementary information and supplementary information provided for audit required only minimal adjustments during the audit.</p>

DOAA Award of Distinction for Excellent Financial Reporting

Criteria	Description of Best Practices
Quality of Audit Documentation	Full supporting documentation to substantiate financial statements provided in a timely manner. Evidence easy to locate and use for audit.
Resolution of Accounting Standards/Presentation Issues	Management resolved all accounting standards and presentation issues in a timely manner.
Key Staff	Key staff readily available and cooperative during the audit and did not contribute to any delays in finalizing the audit.
Number/Significance of Deficiencies Identified	No significant deficiencies or material weaknesses noted during the audit. No more than 3 to 5 control deficiencies reported within the management letter.
Clean Audit Opinion	Unmodified Opinions

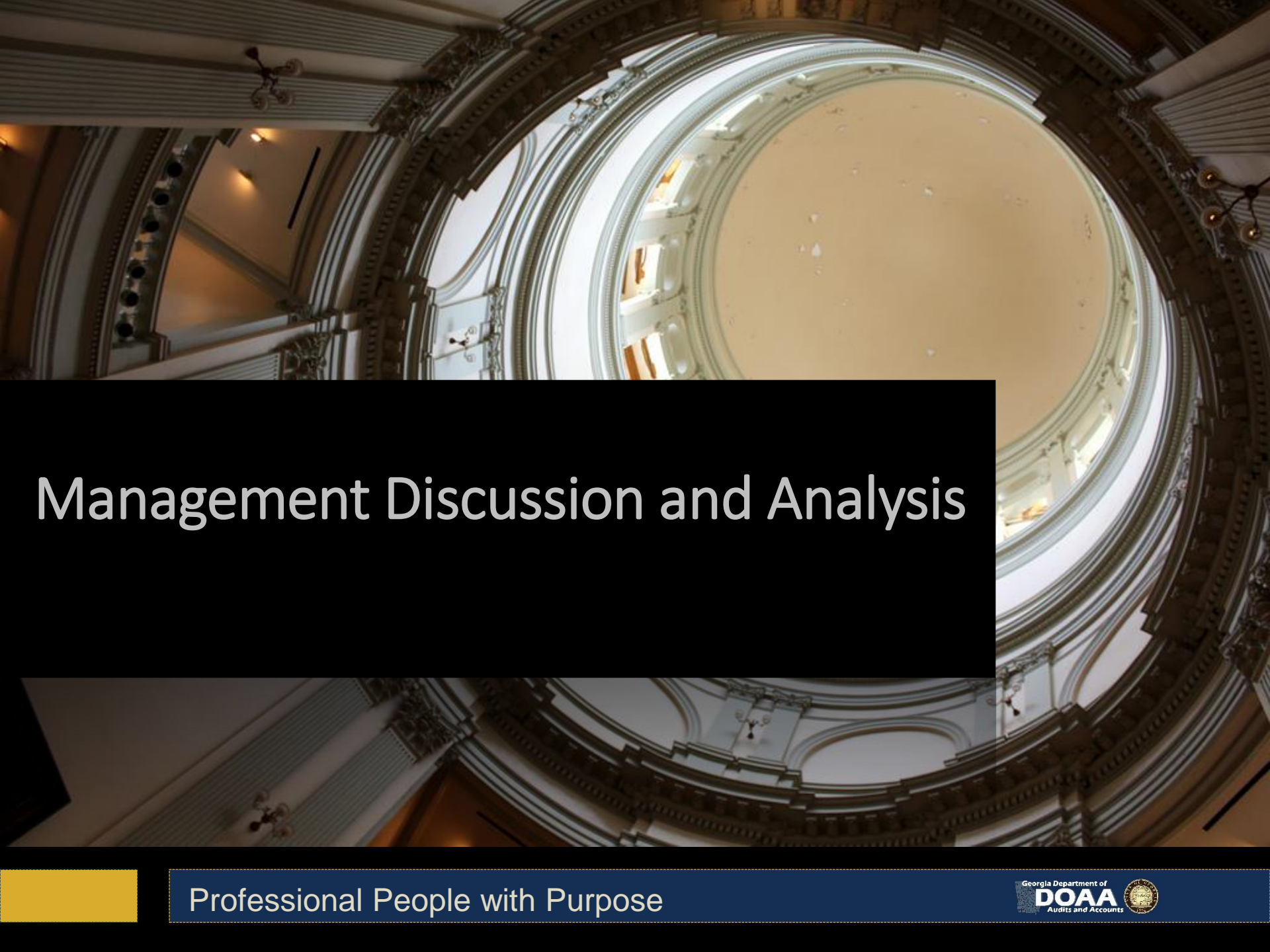
DOAA Award of Distinction for Excellent Financial Reporting

Recognition:

1. List of entities receiving a Certificate of Excellence in Financial Reporting from DOAA published on our external website.
2. Certificate of Excellence presented at the Board meeting.
3. Press release about the Certificate of Excellence in Financial Reporting that could be reported in the local organ of the entity.

DOAA Award of Distinction for Excellent Financial Reporting – Fiscal Year 2014 Recipients

1. City of Chickamauga
2. City of Gainesville
3. Coffee County
4. Columbia County
5. Coweta County
6. Crisp County
7. Dawson County
8. Decatur County
9. Early County
10. Evans County
11. Hall County
12. Houston County
13. Lee County
14. Lincoln County
15. Marion County
16. McDuffie County
17. McIntosh County
18. Mitchell County
19. Morgan County
20. Paulding County
21. Putnam County
22. Thomas County
23. Tift County
24. Towns County
25. Washington County
26. Webster County



Management Discussion and Analysis

Professional People with Purpose

MD&A

- Management's Discussion and Analysis
- Required Supplementary Information – GASB 34
- Purpose is to provide an ***objective*** and easily readable ***analysis*** of the government's financial activities
- Management's analysis – Auditor role is to ensure that the required elements exist

Elements of an MD&A

Provide an analysis of the government's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities

- Not analysis

“Net position increased by \$2 million in the current fiscal year.”

- Analysis

“Net position increased by \$2 million in the current fiscal year due to an increase in the millage rate of 1.5 mills approved by the Board of Education”

Elements of an MD&A

Provide an **analysis** of significant changes that occur in funds and significant budget variances.

- Why did variations occur?
- Reasons for changes in General Fund
 - Original Budget to Final Budget
 - Final amended budget to actual results

Elements of an MD&A

GASB 34 Implementation Guide Question #9

Q—In the discussion of significant general fund budget variances, is it sufficient to state that the original budget was increased to cover higher-than-expected expenditures?

A—No. MD&A is required to provide an analysis of significant budget variances. The analysis should discuss reasons for those variances including those that are expected to significantly affect future services or liquidity. MD&A should explain why the variances occurred (for example, the factors that contributed to expenditures exceeding budgeted amounts). The analysis may refer the reader to discussions of those reasons presented in other sections of the MD&A.

Elements of an MD&A

Describe capital asset and long-term debt activity during the year.

Examples:

- Construction-related commitments
- Changes in credit ratings
- Changes in Debt limitations

Elements of an MD&A

Discussion of *currently known* facts, decisions, or conditions that are expected to have a *significant effect* on results or operations.

Limit discussion to factors *already in place*

- *Bill that has been enacted*
- *Resolution adopted*
- *Contract that has been signed*
- *Award of major grant*
- *Settlement of lawsuit*
- *Major change in tax base*

MD&A – Auditor's Responsibility

- Management's analysis
- Omission does not affect the auditor's opinion
- Auditor's report must mention that required element is missing
- Inquiries of management regarding the process used to prepare the report. This might include verification of currently known facts, decisions, or conditions at the date of the auditor's report.
- Verification of data provided in the MD&A to the information in the financial statements.



Pension Testing and Why?

Professional People with Purpose

Employer Auditor Requirements

Required by auditing standards to obtain sufficient appropriate audit evidence that employer's financial statements reported under GASB 68 are materially correct. This includes:

- The proportionate share of the net pension liability
- Deferred Inflows and Outflows
- Pension Expense

Employer Auditor Problem

- How to gather the information necessary to test that the net pension liability and other pension data recorded are materially correct?
 - GASB 67 does not require the plan to allocate the shares of pension activity to individual employers.
 - How will employers get the information required to be in compliance with GASB 68?
 - GASB is leaving it to the employers and plans to coordinate

Employer Auditor Solution

- Plan has prepared allocation schedules of pension amounts by employer.
- Plan auditor has provided an opinion on these allocation schedules.
- Plan Auditor has prepared packets for each employer.
- Employer auditor may rely on plan auditor opinion on these schedules as audit evidence of the employer's recorded amounts.
- Additional testing of census data at each LEA will be required to obtain sufficient audit evidence.



RSI Schedules for Pensions

Professional People with Purpose

RSI Schedules

These schedules are required to show information for 10 years, However, until a full 10-year trend is complied, governments **should** present information for those years for which information **is available**.

- **Schedule of Proportionate Share of the Net Pension Liability**
 - 1 Year with a note.
- **Schedule of Contributions**
 - As many years as available. (Retention Policy) If less than 10, include a note.
- **Notes To RSI**
- **Note Example**
 - This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RSI Schedules

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS' RETIREMENT SYSTEM OF GEORGIA

	<u>2015</u>
School District's proportion of the net pension liability	0.01059%
School District's proportionate share of the net pension liability	\$ 1,337,907.00
School District's covered-employee payroll	\$ 1,424,356.62
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	93.93%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RSI Schedules

SCHEDULE OF CONTRIBUTIONS TEACHERS' RETIREMENT SYSTEM OF GEORGIA

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 167,783.82	\$ 132,672.12	\$ 101,765.35	\$ 78,635.92	\$ 67,118.84	\$ 39,862.76	\$ 43,415.17	\$ 48,163.11
Contributions in relation to the contractually required contribution	<u>167,783.82</u>	<u>132,672.12</u>	<u>101,765.35</u>	<u>78,635.92</u>	<u>67,118.84</u>	<u>39,862.76</u>	<u>43,415.17</u>	<u>48,163.11</u>
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
School District's covered-employee payroll	\$ 1,424,356.62	\$ 1,080,391.83	\$ 837,668.74	\$ 763,503.27	\$ 652,910.28	\$ 509,268.10	\$ 567,835.95	\$ 499,851.09
Contributions as a percentage of covered-employee payroll	11.78%	12.28%	12.15%	10.30%	10.28%	7.83%	7.65%	9.64%

This schedule is intended to show information for 10 years. Blank County Board of Education was created on July 1, 2007 (FY08). Additional years will be displayed as they become available.



GASB Update

Professional People with Purpose

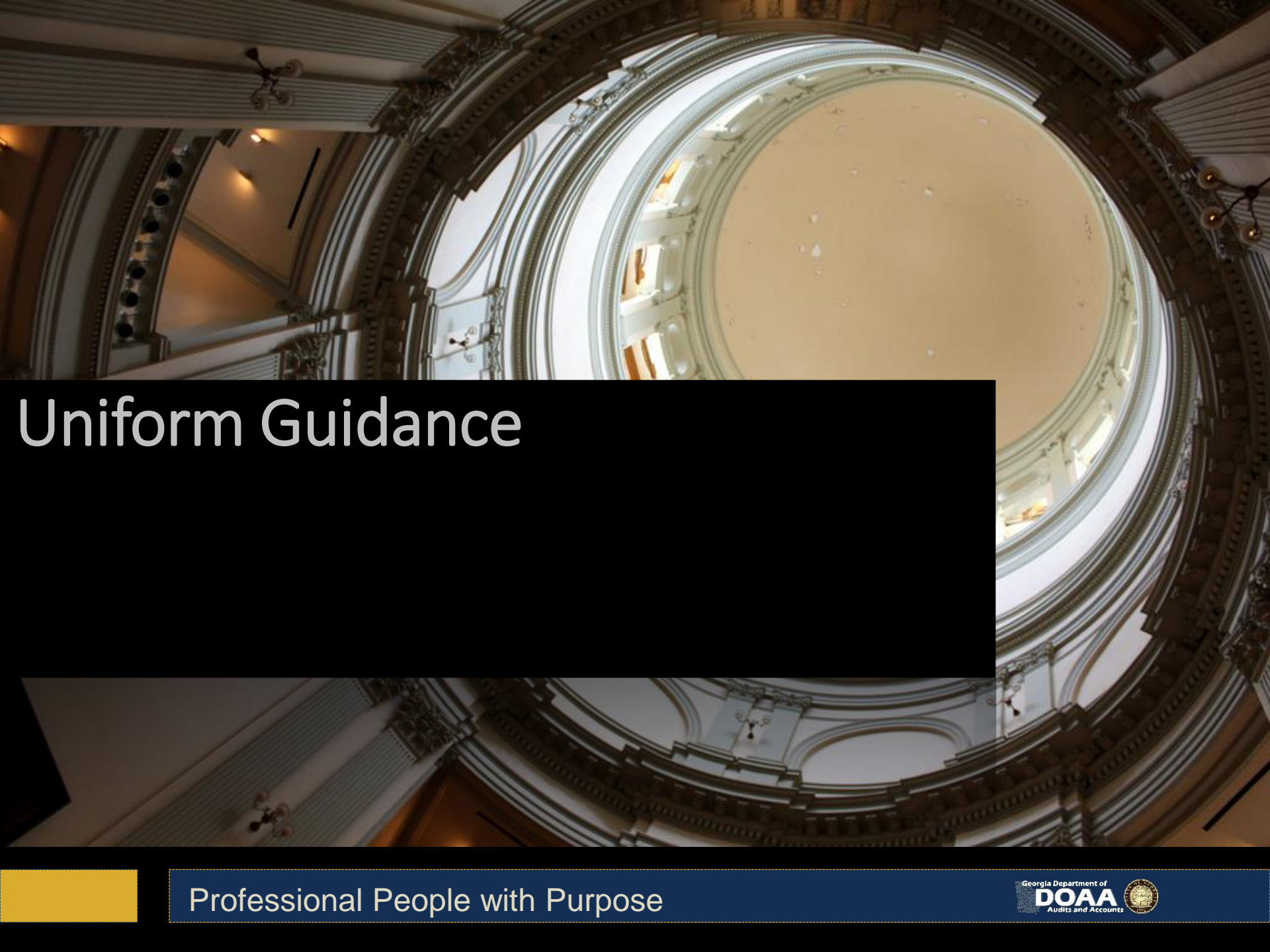
From the GASB

- Fiscal Year 2016
 - Statement No. 72 – Fair Value Measurement and Application
 - Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
 - GASB Implementation Guides (Post-Statement 76)
- Fiscal Year 2017
 - Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
 - **Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**
 - **Statement No. 77 – Tax Abatement Disclosures**
- Fiscal Year 2018
 - **Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

From the GASB

GASB Pre-Agenda Research

- Debt Disclosures, Including Direct Borrowing— Reexamination of Statements 34, 38, and 62
- Debt Extinguishments—Reexamination of Statements 7, 23, and 62
- **Financial Reporting Model—Reexamination of Statements 34, 35, 37, 41, and 46 and Interpretation 6**
- Going Concern Disclosures—Reexamination of Statement 56



Uniform Guidance

Professional People with Purpose

Uniform Guidance

Eight different OMB guidance streamlined into one. Eliminating overlapping duplicative and conflicting guidance.

- A-21
- A-50
- A-87
- A-89
- A-102
- A-110
- A-122
- A-133

Title 2 of CFR, Subtitle A, Chapter II, Part 200

**UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

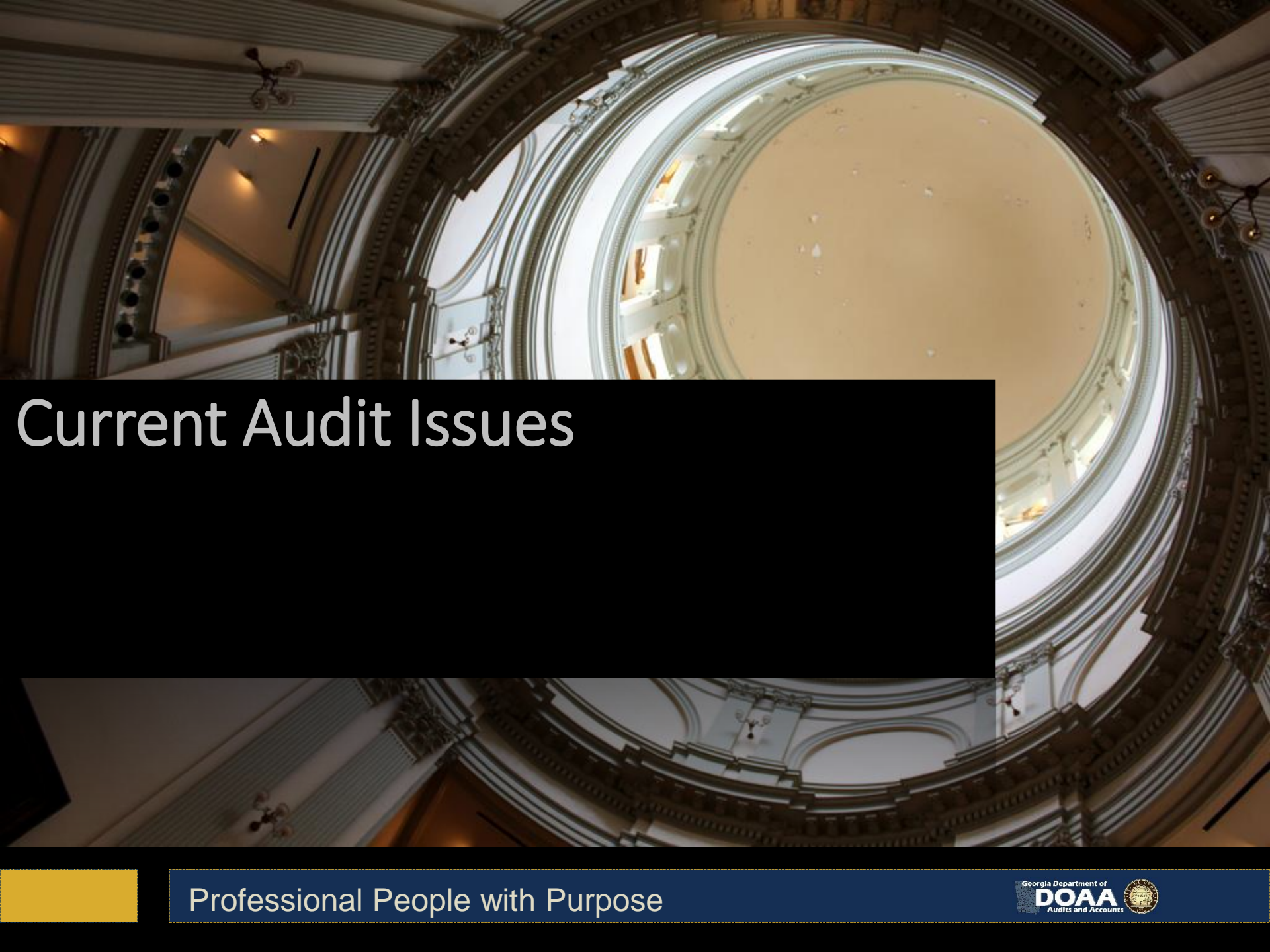
Uniform Guidance Audit Perspective

- We audit to the Compliance Supplement
- Audit requirements – Threshold increased from \$500,000 to \$750,000
- The threshold for reporting known questioned costs has been raised from \$10,000 to \$25,000

Uniform Guidance

Audit Perspective

- Low risk Type A - program must have not had internal control deficiencies identified as material weaknesses, a modified opinion on compliance, or known or likely questioned costs that exceed five percent of the total federal awards expended for the program.
- "Percentage of Coverage" Rule
 - Auditor is required to test a minimum percentage of total federal awards expended as major programs.
 - Decreased from 25 percent to 20 percent of total federal awards expended for low-risk auditees and from 50 percent to 40 percent for all others.



Current Audit Issues

Professional People with Purpose

SPLOST Funds

§ 48-8-121. Use of proceeds; issuance of general obligation debt

- (e) The resolution or ordinance calling for the imposition of the tax authorized by this part may specify that a part of the proceeds of the tax will be used for payment of general obligation debt issued in conjunction with the imposition of the tax. If the ordinance or resolution so provides, it shall specifically state the other purposes for which such proceeds will be used; and such other purposes shall be a part of the capital outlay project or projects for which the tax is to be imposed. In such a case no part of the net proceeds from the tax received in any year shall be used for such other purposes until all debt service requirements of the general obligation debt for that year have first been satisfied from the account in which the proceeds of the tax are placed.

SPLOST Funds

- SPLOST Funds Must be Use to Pay Debt First
- Debt Service Payments Due by December 31st should be Restricted
- And only Restrict SPLOST Funds

Revenue Recognition

- Boards Need to have Revenue Recognition Policy
- 60 Days for Taxes (Unless for Good Reason)
- Other Revenues



Transparency in Government Act Proposed Reporting Changes PCard Data

Professional People with Purpose

PCard Transaction Reporting

Goals

Beginning with the FY 2017 reporting cycle:

End reporting at the summary level

Begin reporting PCard data providing level 2 detail

PCard Transaction Reporting

Purpose

Beginning with the FY 2017 reporting cycle:

Increase transparency

Provide more relevant data to the public

PCard Transaction Reporting

File Layout

FIELD NAME	SIZE / FORMAT	REQUIRED
Vendor Name	TEXT 100	Y
MCC Description	TEXT 150	Y
Transaction Date	DATE (MM/DD/YYYY)	Y
Amount	NUMBER (9999999999.99)	Y

PCard Transaction Reporting

File Type: CSV, (comma delimited file)

EXAMPLE

Vendor Name	MCC Description	Purchase Date	Amount
RICOH USA, INC	OFFICE, PHOTOGRAPHIC, PHOTOCOPY, AND MICROFILM EQUIPMENT	7/31/2014	322.38
TAYLOR FARM SUPPLY SVSTR	HARDWARE STORES	7/31/2014	85.47
TAYLOR FARM SUPPLY SVSTR	HARDWARE STORES	7/31/2014	(91.45)
TAYLOR FARM SUPPLY SVSTR	HARDWARE STORES	7/31/2014	91.45
FEDEX 14270787	COURIER SERVICES-AIR AND GROUND,AND FREIGHT FORWARDERS	7/31/2014	682.97
FEDEX 14270787	COURIER SERVICES-AIR AND GROUND,AND FREIGHT FORWARDERS	7/31/2014	682.97
AMAZON MKTPLACE PMTS	BOOK STORES	7/31/2014	123.94
SAFETY MAX	MISCELLANEOUS AND SPECIALTY RETAIL STORES	7/31/2014	387.10

PCard Transaction Reporting

- Timeline – Submission Years

- **2017 – Report FY 16/17 PCard data**

- State Agencies, Authorities and Commissions
- University System of Georgia
- Technical College System of Georgia

- **2018 – Report FY 17/18 PCard data**

- Local Education Boards
- RESAs

Keys to a Successful Audit



- Visit DOAA & DOE websites on a regular basis
- Timely submissions
- Electronic submissions
- Stay informed
- Attend DOAA & DOE Training Seminars
- Go through DOAA Review Checklists

Q&A

Doug Pirkle, Jr., CPA, CFE, CGFM
Manager II
Education Audit Division
Georgia Department of Audits and Accounts
pirklewd@audits.ga.gov
Phone: 404-651-8827

Roger Boyd, Director, CISA
Director
Information Technology Services
Georgia Department of Audits and Accounts
boyd@audits.ga.gov
Phone: 404-657-5116